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**APPLICANTS' LIKELIHOOD TO APPLY FOR JOBS AT  
PROFESSIONAL SERVICE FIRMS: THE ROLE OF DIFFERENT  
CAREER MODELS**

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# APPLICANTS' LIKELIHOOD TO APPLY FOR JOBS AT PROFESSIONAL SERVICE FIRMS: THE ROLE OF DIFFERENT CAREER MODELS

## **Abstract**

Against the backdrop of only a few empirical studies on the topic of up-or-out career models in Professional Service Firms, we highlight the importance of an explicit applicant perspective on the topic of up-or-out and develop a quantitative approach to analyze the perception and effects of up-or-out models in practice. Our empirical study is based on an online practitioner survey as well as on a two-by-two between-subjects-experiment with law and management students. The practitioner sample shows that the interviewed classic PSFs (law firms and accounting firms) have predominantly implemented alternative career positions in favor of up-or-out models while the interviewed Neo-PSFs (consulting firms) show a more balanced implementation of up-or-out models and extended career models. However, results of our experimental applicant study reveal that the potential employee groups have different preferences: Law students (and hence potential applicants of classic PSFs in the future) show a higher likelihood to apply in connection with the up-or-out-model, whereas management students (and hence potential applicants of Neo-PSFs in the future) show a higher likelihood to apply in connection with the alternative career model.

*Keywords:* Applicants' perceptions, career models, job advertisements, likelihood to apply; organizational attractiveness; Professional Service Firms, up-or-out model

## APPLICANTS' LIKELIHOOD TO APPLY FOR JOBS AT PROFESSIONAL SERVICE FIRMS: THE ROLE OF DIFFERENT CAREER MODELS

The field of 'Professional Service Firms' (PSF) has gained a growing importance in management research. Classic Professional Service Firms, such as law firms and accounting as well as Neo-PSFs such as management consulting firms (von Nordenflycht, 2010), represent a specific type of 'knowledge intensive firms' (Greenwood, Suddaby & McDougald, 2006), which can be characterized by a high knowledge intensity, a low capital intensity and, in the case of classic PSFs, by a professionalized workforce (von Nordenflycht, 2010). PSFs are, thereby, often seen as exemplary for current organizational trends such as the increasing employment of 'knowledge workers' (Greenwood, Li, Prakash & Deephouse, 2005). Through their provision of professionalized services and expert knowledge, PSFs are viewed as having a high impact on the economic activity of other companies and non-profit organizations by facilitating their transactions (Malhotra, Morris & Smets, 2010 with reference to Sharma, 1997). This is especially true in recent times where organizations are facing environmental changes and new organizational challenges (e.g. Hansen, Güttel & Swart, 2017).

In the last decade, the field of PSFs itself has experienced a fundamental change as PSFs have increasingly become more managerial to be able to adapt new environmental challenges: The classic organizational archetype of the 'professional partnership', where a small group of professional partners are the owners and the managers of a PSF and, at the same time, provide the professional services to their clients, can no longer be seen as the dominant archetype of PSFs (Brock, 2006). The professional partnership can rather be seen as co-existing with a new emerging form - the 'corporate global professional network' (GPN) (ibid., p. 157) - to which a lot of large PSFs have developed in order to become more 'business like' (ibid., p. 164).

Against the backdrop of this overall institutional development in the field of PSFs, as well as changed job market structures and the current ‘war for talent’ (in which employers are competing for a limited pool of talented individuals), the traditional partner model, where only very few elite associates are promoted to partner following a strict ‘up-or-out’-rule or a ‘grow-or-go’-HR policy has been increasingly challenged. Recent empirical studies (e.g. Malhotra et al., 2010; for previous studies see e.g. Morris & Pinnington, 1998) show that some organizations in the field of PSFs (e.g. law firms) have faced these challenges by introducing new career paths in the form of alternative positions without a partner status that complement the traditional up-or-out career model. The central organizational aim is to retain productive professionals with valuable human capital and to extend the prevailing career model by introducing new positions (Malhotra et al., 2010).

In this connection, the motivational effects of the dominating up-or-out model in practice can be seen as a central aspect of human resource management in PSFs and a main driver of securing the availability and effectiveness of human capital. In this context, a critical review of the literature shows that there are only a few empirical studies on the topic of up-or-out-policies in PSFs (e. g. Morris & Pinnington, 1998; Malos & Campion, 2000; Sherer & Lee, 2002; Malhotra et al., 2010; Smets, Morris & Malhotra, 2012; McGinn & Milkman, 2013). Previous research on PSFs has thereby explained how the up-or-out career model has been institutionalized (Sherer & Lee, 2002), how alternative career positions have been introduced as an extension of the internal labor market (Morris & Pinnington, 1998; Malhotra et al., 2010) and how the up-or-out principle and career mobility practices influence career-related outcomes (Malos & Campion, 1995). Recent studies have focused on the question how changing career models influence the innovation capacity of PSF's (Smets, et al., 2012) and how the career mobility of professionals in an ‘up-or-out’ context is affected by the specific workgroup gender and race compositions (McGinn & Milkman, 2013). However, besides a few exceptions which focus on gender-related aspects of the

promotion to partner process (Kumra & Vinnicombe, 2008; Pinnington & Sandberg, 2013), most of the existing studies on the up-or-out topic represent employer surveys and do not account for the specific perspective of employees or job applicants which we aim to achieve.

In addition, we argue that PSFs may have overlooked specific costs by departing from their traditional career model: costs in the form of a potential loss of organizational attractiveness in the view of new recruits and potential employees who may expect a certain career model due to their specific socialization during their studies (von Nordenflycht, 2010; Morris & Pinnington, 1998). Also in this connection, we assume that expectations of potential employees in form of new recruits may vary across different fields of PSFs: e.g., law school students may have different expectations and a different perception of existing career models than business school students due to their differing levels of professionalization and related socialization. More precisely, we predict that law students will prefer the traditional up-or-out model while management students will prefer the extended career model with alternative positions to the partner track.

Furthermore, existing studies often focus on one PSF type in this regard (von Nordenflycht, 2010), e.g. law firms (e.g. Malhotra et al., 2010; Smets et al., 2012). Besides a few important authors such as Starbuck (1992), previous research on PSFs has mainly focused on the homogeneity and similarities of PSFs and has suggested that their organizational practices and, therefore, their management are distinct from other types of organizations. However, in recent theoretical and empirical studies PSF scholars increasingly argue that there is important heterogeneity across different types of PSFs which highlights the importance of comparative studies (e.g. von Nordenflycht, Malhotra & Morris, 2015; Fincham, 2012; Malhotra & Morris, 2009): There has been a ‘constricted range of empirical research that focuses overwhelmingly on only two or three professional services and contains almost no cross-industry comparisons’ (von Nordenflycht et al., 2015,

p. 136) which are important as ‘inter-profession differences help to explain heterogeneity at the level of the firm’ (Malhorta & Morris, 2009, p. 896).

The analysis of this heterogeneity across PSFs is essential to derive new and more differentiated managerial and organizational implications for PSFs and, more general, for the management of today’s knowledge workers which become increasingly important. For example, in contrast to the traditional theory of PSFs which suggests that PSFs are based on a strict up-or-out career model, recent studies on law firms show that PSFs have changed their career models by the introduction of modifications to the up-or-out model in response to the intensified labor scarcity (e.g. Sherer & Lee, 2002; Malhotra et al., 2010). The practical implication is that some PSFs are presumably shifting away from the traditional ‘up-or-out’ model and have been implementing alternatives to the partner track. In this connection, classic PSFs such as law firms with their highly professionalized workforce may be particularly susceptible to the labor scarcity problem. However, we theorize that this change to an extended up-or-out career model may be less prevalent for the case of Neo-PSFs such as management consulting firms because they do not rely on a professionalized workforce and, therefore, may not face the same labor scarcity problems as classic PSFs (e.g. law firms). As a result, we predict that the strict up-or-out model will be more prevalent among management consulting firms than among law firms.

In this paper, we therefore empirically test both sides of these heterogeneity arguments with two separate (employer vs. applicant) surveys to show that firm’s use of and potential employees’ preferences for up-or-out vs. alternative positions will vary between classic PSFs and Neo-PSFs.<sup>1</sup> Against this background, we contribute to the existing research on PSFs in the following ways: *First*, we address the recent call for research on the heterogeneity of PSFs (von Nordenflycht et al., 2015; Malhotra & Morris, 2009) and

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<sup>1</sup> We very much thank an anonymous reviewer for helping us to outline our central research contributions in this clear way.

analyze the adoption and distribution of the up-or-out model and alternative career positions in practice and take both classic PSFs (law firms) as well as Neo-PSFs (consulting firms) into account. *Second*, we highlight the importance of an applicant perspective and the so far disregarded recruiting function and the optimal choice of career models for PSFs. The relevance of an applicant perspective in recruiting research has increasingly been highlighted by recent studies in a wider HRM context (e.g. Baum & Kabst, 2014; Baum, Schaefer & Kabst, 2016; Breaugh, 2013; Swider, Zimmerman, Charlier & Pierotti, 2015; Turban, 2001; Williamson, Lepak, & King, 2003; Williamson, King, Lepak and Sarma, 2010) and seems especially important for the PSFs context.

To address this call for further research on this relevant topic, we have developed a quantitative approach using potential PSF-applicants to analyze applicants' perception of different career models in practice. Specifically, we take the heterogeneity between PSFs (classic PSFs vs. Neo-PSFs) into account in form of deep-level differences of their applicants - law vs. management students - which are especially characterized by their different degree of professionalization, the role of a professional ideology, the applicants' preference for more professionally- vs. more organizationally-oriented HR practices and the related affinity towards a professional vs. a corporate institutional logic.

We pose the following research questions in this regard: *First, we ask to what extent have classic and Neo-PSFs implemented the traditional up-or-out career model or alternative positions to the professional partnership so far? Second, we ask which effects do the different career models (traditional up-or-out model vs. alternative positions) have on the future job applicants' likelihood to apply for a corresponding job at a classic PSF vs. a Neo-PSF?*

In order to answer these research questions, we will proceed in the following way: *First*, we will delineate the historical development of the traditional up-or-out model in the



field of large law firms and its institutional change towards the implementation of permanent alternative positions. We furthermore explain the concept of the ‘elastic tournament’ and the co-existence of a ‘core’ (up-or-out) and a ‘mantle’ career model (alternative positions to the partner track). To analyze the current diffusion of the up-or-out model and the alternative positions among German employers in the field of PSFs, we conducted an online-survey of the top 25 law and accounting firms as well as the top 25 large and medium-size management consulting firms in Germany. The focus of attention is then shifted towards the central employer question of attracting future employees and applicants’ (law vs. management students) perception of different career models in the context of different professional backgrounds. Here, the related deep-level differences between applicant groups resulting from different degrees of professionalization and related preferences for different career models (professionally-oriented vs. organizationally-oriented) play a major role. We analyzed the specific perception of different career models in a student survey with law and management students in our applicant study. In the results section, we discuss two central findings: (1) Our empirical data shows that classic PSFs (law firms) have predominantly implemented alternative career positions to the partner track while Neo-PSFs have adopted both career models (traditional up-or-out model vs. extended model with alternative permanent positions) rather equally. (2) However, our applicant data shows for applicants of classic PSFs (law students) that the likelihood to apply for a job was significantly higher for the up-or-out model than for the alternative position condition, while for applicants of Neo-PSFs (management students) we found the opposite result, i.e., their likelihood to apply for a job was significantly lower for the up-or-out model than for the alternative position condition. The paper ends with a discussion of the central contributions and implications for future research and management practice. We especially highlight the challenges for HRM in PSFs.

## **Theoretical Basis and Hypotheses for the Employer Study (Study 1)**

### *The Traditional Up-Or-Out Model*

Referring to Maister (1982), Malos & Campion (1995, p. 611) state that ‘the up-or-out system perhaps most distinguishes professional service organizations from other types of firms’. The traditional up-or-out career model associated with the ‘Cravath’ model and its related recruitment of young lawyers from elite-law schools can be seen as the dominant HR practice of large law firms in most of the 20<sup>th</sup> century (Sherer & Lee, 2002 with reference to Galanter & Palay, 1991; Gilson & Mnookin, 1998; Hobson, 1986). Its origin dates back to the 1930s (Smigel, 1964), where the up-or-out model became the central component of the HRM system in large law firms in the USA (Sherer & Lee, 2002). Although the up-or-out career model especially developed as an institutionalized and legitimized HR practice in the organizational field of law (Sherer & Lee, 2002), it was observable that other professional service organizations such as accounting or management consulting firms also increasingly adopted this central career model (e.g. Malhotra et al., 2010 Sherer & Lee, 2002) although they often show other legal forms as the professional partnership, such as stock corporations (Kaiser, Kozica, Swart & Werr, 2015).

The up-or-out-standard is thereby related to a motivational rationale that addresses the much discussed ‘*cat herding problem*’ in PSFs (von Nordenflycht, 2010): The up-or-out-principle is supposed to be an effective monitoring device to screen the performance and productiveness of junior professionals and to secure their long-term motivation as an alternative incentive mechanism (Sherer & Lee, 2002; von Nordenflycht, 2010). The perceived opportunity of becoming a partner of the PSF can be considered as part of the implicit or psychological contract between the employer and the employees (Kaiser et al., 2015; Malhotra et al., 2010). Young associates are hired to the traditional ‘partnership track’ in PSFs and, after an approximately six-year apprenticeship, they are either promoted to

partner ('up') or suggested to leave the firm ('out') depending on their partnership qualifications (Malos & Campion, 2000). The promotion to partner can be seen as the 'super-bonus' (p. 781) or maximal 'prize' and as an incentive for working long hours over a long period of time (Galanter & Palay, 1990). This monitoring and motivational effect of the up-or-out system is especially important in a professional context where the effort of the expert employees is hard to measure and relationship between employee-related input and output in form of professional services is complex (von Nordenflycht, 2010).

To summarize, for PSFs the up-or-out model has distinctive incentive properties and resolves motivational and related monitoring problems: It sustains performance in a context where the output in form of a professional service is complex and intangible. This implicates that, on the one hand, the employee's effort is hard to measure and also the relationship between the effort and output is not clear. Monitoring would be very costly and problematic for the partners who are themselves engaged in the production of professional services. The up-or-out principle can be seen as a structural leadership substitute that secures a high effort of the associates over the period of their competition to the partner level. This also aims to ensure that only the few associates that are the best are promoted so that the profits per partner do not decrease in the future (Malhotra et al., 2010; Smets et al., 2012). The out-part is furthermore important because it avoids the increasing costs it would take to monitor the associates who are not made partner and do not have the partnership as motivating incentive anymore. It furthermore keeps the track for the subsequent cohorts of associates open which otherwise would be blocked. Senior associates would also be too costly to employ if there were not enough work on an appropriate level (Smets et al., 2012). Due to the outlined advantages for PSFs, the implementation of the up-or-out rule in prestigious firms and the perception of a role model and 'best practice' has led to a field-wide adoption and the institutionalization of an industry standard (Sherer & Lee, 2002; Malhotra et al., 2010).

### *Institutional Change Towards the Introduction of Alternative Positions*

The development towards an extended up-or-out model with alternative positions can be seen as answer to a wide range of major changes in the PSF context: the growth in size and geographic dispersion of PSFs and the related erosion of a cohesive organizational culture, the globalization of client firms, the increased availability of information at low costs and, in the case of law firms, the increasing bureaucratization of corporate legal departments (Galanter & Henderson, 2008). Changes in the labor market and the ‘war for talent’ can be seen as further major influencing factors (Malhotra et al., 2010). As corporate law firms grew and the adoption of the up-or-out career model proceeded, the central resource of young associates became scarce. Due to the labor scarcity resulting from the increasing adoption of the up-or-out practice and organizational growth, prestigious law firms (e.g. Davis, Polk & Wardell) introduced an alternative in the mid1980s: a *senior attorney track*. The senior attorney track was created for associates who did not make it to the partner level (Sherer & Lee, 2002 with reference to Pollock, 1982) but still were of value to the firm. In terms of an option-based theory (Malos & Campion, 1995), the permanent associate’s specific human capital ‘is of sufficient project value to be self-sustaining’, however, his ability to generate ‘growth in client relations [...] is deemed inadequate for promotion’ (Malos & Campion, 1995, p. 634), so the associate has a high project but a low option value for the firm. In general, the aim of this innovation was to keep experienced associates with highly specialized knowledge in specific areas of practice, for example, areas such as taxation which provided valued services but only modest revenues. Another example could be ‘blue-sky law’, which represents a narrow and intellectually abstract practice which is not central to the firm’s business (Sherer & Lee, 2002). As other firms in the field increasingly adopted the alternative senior attorney track in their HRM system, an institutional change in the field of law was the result.

In late 1985, a second innovation – which had its origins in legal clinics – was introduced to overcome the problem of labor scarcity: A *staff attorney track* was introduced by a leading law firm in the US (Jones, Day, Reavis & Pogue). In contrast to the senior attorney track, the staff attorney track was based on hiring lawyers as permanent employees without the option of becoming a partner (Sherer & Lee, 2002 with reference to Freeman, 1987; Galanter & Palay, 1991; Gilson & Mnookin, 1988; Lewin, 1987 as well as Orey, 1987). The main task of staff attorneys was to handle routine cases with moderate to low billing rates (Orey, 1987). Although the senior attorney and staff attorney tracks may informally have already been implemented in some PSFs before the 1980s, they had reached formal legitimacy in the field by the late 1980s and now were officially operating alongside the traditional up-or-out model.

In adapting their promotion and career model to new market and institutional pressures, a major result of the introduction and implementation of the two alternative tracks was an extension and flexibilization of the original Cravath model (Sherer & Lee, 2002; Malhotra et al., 2010) to which PSFs have introduced further modifications of the strict up-or-out model. Recent extensions to the up-or-out model include the following roles: The introduction of salaried partner positions (non-equity partnerships), lateral hiring of partners from other PSFs, dismissal of existing partners of the firm or the introduction of further forms of non-partner positions such as ‘Of Counsel, Professional Support Lawyers and Legal Directors’ (Kaiser et al., 2015; Malhotra et al., 2010; Smets et al., 2012). In the following, however, we will focus on the senior attorney/permanent associate track when we refer to the term ‘alternative positions’. The introduction of alternative positions secures the high investments in human capital that PSFs have made over time so that highly qualified and productive professionals do not have to leave the firm (Smets et al., 2012). Empirical studies show that the motivational mechanisms of the up-or-out model are not negatively

affected by the presence of the alternative positions. For this reason the two motivational models can be seen as ‘complementary rather than contradictory’ (Malhotra et al., 2010).

### *The New Elastic Tournament and the Core and Mantle Career Model in PSFs*

In referring to a wider HRM context, the up-or-out model can be seen as a specific form of the ‘tournament model’ of promotion where a relative ranking and not an absolute level of output is the central criteria for which an individual wins a tournament and the related ‘prize’ (e.g. Gosh & Waldman, 2010). Tournament models of promotion are also implemented in Non-PSFs (Conelly, Tihanyi, Crook & Gangloff, 2014), however, the major difference is that in the traditional up-or-out career model of PSFs candidates who do not make it to the partner level have to leave the firm (Galanter & Palay, 1991). In contrast to standard promotion practices there is also a specific time line for the promotion within the partner track in PSFs (Gosh & Waldman, 2010). In general, the introduction of alternative positions to the PSFs career model can be seen as an integration of more standard promotion practices that exist besides the core partner track.

Instead of an ‘inverted-funnel’ shape of the classic tournament career model, the new ‘elastic tournament’ can be associated with a ‘core and mantle’ career model (Galanter & Henderson, 2008). In the core, there is a smaller number of equity partners of the firm which is surrounded by a larger mantle of non-partner positions e.g. Non-Equity Partners and Permanent Associates etc. The tournament is thereby ‘stretched’ as it does not end with a promotion to partner ‘but instead becomes "perpetual" or unending as partners work longer hours, accept differential rewards, and fear de-equitization or early forced retirement’ (Galanter & Henderson, 2008, p. 1877). Furthermore, the intensity of the tournament increases as it is ‘longer, thinner, and tenser, elastic seems a fitting image’ (ibid., 1878). Also the underlying implicit or psychological contract has been rewritten by PSFs who aim to retain their employees as ‘their most valuable assets’ (ibid., 1892). On the one hand, the

equity partner prize is very rare and, on the other hand, it is not any longer related to lifetime tenure in a specific PSF. The promotion to partner decision is thereby based on the question if an associate who is not being promoted to partner will leave the firm and will take his or her clients (Galanter & Henderson, 2008).

Referring to Galanter and Henderson (2008), the next transformation of PSFs could develop towards a type of PSF that operates like a corporation: where hiring and promotion are based on the marginal product of each employee. This reflects the observation that PSFs underlie the pressure of becoming more and more 'business-like' in terms of their organizational processes and structures (Brock, 2006; Smets et al., 2012). A PSF with this business model 'would be developing firm-specific human capital by focusing on business processes that deliver high-quality legal services at a cost-effective and predictable price' (Galanter & Henderson, 2008, p. 1927). In this context, senior retention increasingly makes sense in those cases where professionals have firm-specific human capital, technical expertise and long experience in specific areas of practice that are of high project value to the firm - even if they may not have the potential to generate growth in client relationships (Swart, Hansen & Kinnie, 2015; Malos & Campion, 1995; Smets et al., 2012). This notion is consistent with Gosh and Waldman's (2010) theoretical argument, that up-or-out models are most efficient when firm-specific human capital of employees is low and standard promotion practices when the firm-specific human capital of employees is high. This offers a theoretical rationale why alternative positions as examples of standard promotion practices have increasingly been implemented nowadays in PSFs.

Professionals in firms with this new business model would earn less than their elite counterparts, however, they would have a work environment with sensible working hours comparable to in-house legal departments. Thereby, women are more likely to opt out of the classic up-or-out tournament and go for the alternative position track. This could also address the preferences of 'generation Y' professionals which take a work-life balance and a

work-family balance seriously. Furthermore, a larger group of professionals will stay in the firm where they started their career (Galanter & Henderson, 2008). '[T]he new generation of "millennial" lawyers will get their wish of greater work-life balance [...] in exchange for an expanded array of "off track" career options. Nonetheless, similar to earlier generations [...], we suspect that a large number of the best and brightest will continue to be drawn into the tournament by the money and status that come with making partner' (ibid., p. 1873).

As we have learned, the up-or-out model has been central for the motivation function in PSFs. However, especially classic PSFs, such as law firms, have been adapting their career models to client and job market as well as institutional pressures. By introducing the alternative position which relate to the theoretical concept of the 'elastic tournament', (Galanter & Henderson, 2008) PSFs have converged towards more traditional and organizationally-oriented HR structures. The advantage is that the motivational mechanisms for addressing the 'cat herding' problem remain in the core organizational model and can be combined with the more flexible option to keep associates with valuable human capital in the mantle career model which is important in terms of retention and talent management for PSFs.

However, there are studies missing that show an overview of the top PSFs recent implementation of these career models. Besides law firms as archetype example of PSFs, it would also be interesting to see how Neo-PSFs, like management consultancies, have implemented innovations into their career model. For classic PSFs, such as law firms which rely on a professionalized work force (von Nordenflycht, 2010), labor scarcity resulting from the implementation of the up-or-out model, organizational growth and the 'war for talent' is a serious problem and has led to the implementation of alternative positions to the partner track (e.g. Malhotra et al., 2010). Furthermore, firm specific human capital has become increasingly important in the law context (Galanter & Henderson, 2008) which corresponds with the implementation of more standard HR practices like the alternative



positions (Gosh & Waldman, 2010). There has been empirical evidence for these theoretical arguments which shows that e.g. most law firms in the US have adopted an extended up-or-out model with alternative non-partner positions (Smets et al., 2012 with reference to Wilkins & Gulati, 1998; Morris & Pinnington, 1998). Furthermore, there has been some case study-based evidence that law firms in the UK have also implemented these extensions (Malhotra et al., 2010; Smets et al. 2012). For law firms, we therefore expect a high implementation rate of the alternative positions in our sample.

In the case of management consultancies, the problem of labor scarcity (Sherer & Lee, 2002) may be less severe than for law firms as Neo-PSFs do not rely on a professionalized workforce. Labor shortages can be compensated by the recruitment of so-called ‘exotics’, i. e. graduates from other disciplines than management such as biochemists, physicians, physicists, computer scientists or literary scholars. Leading Neo-PSFs may also want to retain a stricter up-or-out model to keep their superior ‘corporate reputation’ (McKenna, 2006) which represents their mechanism to signal quality of professional services and to solve the problem of ‘opaque quality’ (von Nordenflycht, 2010).

Hence, we assume that alternative positions to the partner track have been more strongly implemented in major classic PSFs, such as law firms, so far and to a less degree in Neo-PSFs such as management consulting firms. We therefore propose:

*Hypothesis 1: Alternative positions (compared to up-or-out positions) to the professional partnership have been implemented to a higher degree in classic PSFs than in Neo-PSFs.*

## Research Method

To analyze the current implementation and distribution of a) the traditional up-or-out model and b) its extension towards alternative positions among classic PSFs or Neo-PSFs, we conducted an online-survey of the top 25 law and accounting firms as well as the top 25 large and medium-size management consulting firms in Germany in 2013. Specifically, we asked if the organizations had implemented a strict ‘up-or-out’ model or if they had integrated alternative positions to the partner track in their current career model (binary variable). Before distributing the online-survey to each firm, our intensive interviewee recruitment process guaranteed that the interviewee of each firm was actually and exactly aware about the implemented career model in the PSF.

## Results

N = 31 firms and their corresponding interviewees participated in our study (N = 16 from classic PSFs and N = 15 from Neo-PSFs). Each firm was represented by only one respondent and the majority of respondents were HR specialists (e.g. HR director, Head of HR, Chief Talent Officer) or leading managers (e.g. managing partners, partners or principals) with HR and recruiting responsibilities. The data analysis revealed that classic PSFs (i.e., law and accounting firms) have more intensively introduced alternative career positions (81,3 %) compared to up-or-out career models (18,7 %) than Neo-PSFs (i.e., consulting firms; 60 % alternative career positions and 40 % up-or-out career models; see Figure 1), in support of H<sub>1</sub>. Thus, classic PSFs have predominantly implemented alternative career positions while Neo-PSFs show a smaller gap between the implementation of both career models.

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## **Theoretical Basis and Hypotheses for the Applicant Study (Study 2)**

### *Attracting Potential Employees in PSFs*

As PSFs are heavily dependent on human capital, attracting future talent is essential for their survival (Teece, 2003). Starting from the observed labor scarcity and the ‘war for talent’ in the PSF field, a critical first step for firms is to attract potential employees to apply for an introductory job (Williamson, et al., 2003 and Williamson et al., 2010 both with reference to Barber, 1998; Breaugh, 2013). In developing an employee-oriented HR perspective and in referring to the related HR goal to secure the availability of qualified personnel, the following notion can be stated: ‘Organizations that attract more qualified applicants have a larger pool of applicants to choose from, which results in greater utility for firm selection systems (Boudreau & Rynes, 1985)’ (Williamson et al., 2003, p. 243). Recruiting practices are seen as the central organizational tool for attracting employees (Acarlar & Bilgiç, 2013 with reference to Rynes, Heneman & Schwab, 1980 as well as Rynes & Boudreau, 1986). Recruitment is thought to be an ‘attraction process that influences both the quality and the quantity of applicants’ (Acarlar & Bilgiç, 2013, p. 50) and, therefore, enables organizations to be more selective. As job applicants are introduced to a job opening via a certain job advertisement, general perceptions of organizational attractiveness are formed (Acarlar & Bilgiç, 2013). The concept of organizational attractiveness (e.g. Turban, Forret & Hendrickson, 1998; Turban, 2001) has thereby been operationalized as the likelihood of potential employees to apply for a certain job (Williamson et al., 2003 with reference to Schwoerer & Rosen, 1989). We refer to this

operationalization of organizational attractiveness to analyze the impact that the applied career models in PSFs have on the likelihood of potential employees to apply for a certain job.

From a more marketing-oriented perspective, since recruitment processes are widely considered as job marketing, the potential employees can be viewed as consumers that the employer seeks to attract with its job advertisements (e.g. Acarlar & Bilgiç, 2013). The aim of the employer is to present itself as an attractive employer and to involve the potential employees in a lasting employer-employee relationship. The perception of the potential employer's attractiveness and the applicant's intentions to apply for a certain job can be seen as intended pre-hire outcomes that are highly influenced by the information given in a certain job advertisement (Acarlar & Bilgiç, 2013). The amount of relevant and specific information about the future job is suggested to have a positive impact on the applicants' likelihood to apply for a certain job. As the information given in a job advertisement reduces uncertainty, it increases the applicants' attraction to the organization and their willingness to apply for a certain job (Acarlar & Bilgiç, 2013), in particular when the given information is related to development opportunities (Turban, 2001).

The question which career model attracts, motivates and retains highly flexible and mobile professionals is crucial for the success and functioning of today's PSFs (Smets et al., 2012). Recent empirical studies support that the career model is a relevant criteria for attracting and retaining high quality associates in law firms as the partnership can still be seen as the most influential 'economic carrot' besides interesting work which also enhances the outside option of a professional (Galanter & Henderson, 2008, p. 1893). Besides giving salient information on the required qualifications for the job, the most relevant and specific information in our study was given on the applied career model and the related development opportunities in the fictive PSF: the up-or-out model vs. the alternative job positions. It can be assumed that the attraction to different organizational characteristics may not be the same

among different groups of individuals (Turban & Keon, 1993). In the PSF context we hypothesize that the attractiveness of an up-or-out career system and a model with alternative positions may be perceived differently by different groups of potential employees: in our case law and management students. Recent studies highlight the role of ‘deep-level attributes’ of individuals in the form of specific attitudes and values (in contrast to surface-level attributes such as demographic characteristics) in influencing reactions to HR policies and related job-pursuit intentions (Casper, Wayne & Manegold, 2013). In the subsequent section, we will analyze the deep-level factors that may lead to different perceptions of up-or-out vs. alternative positions by potential employees in classic and Neo-PSFs.

### *Perception of Different Career Models by Potential Employees in Classic vs. Neo-PSFs: The Role of Deep-Level Differences*

The two groups of law and management students who we analyze in our applicant study are characterized by one central difference: their degree of professionalization. Professionalization of the workforce can be seen as one source of ‘definitional heterogeneity’ (von Nordenflycht, 2015 et al., p. 143) between PSFs. Although law firms as classic PSFs and consulting firms as Neo-PSFs are both related to a high knowledge, low capital intensity and share the up-or-out model as their main HR principle and answer to the cat herding problem, there is a central difference between them: classic PSFs such as law firms have a highly professionalized workforce (von Nordenflycht, 2010). Besides a particular knowledge base which is a characteristic of all PSFs, a professionalized workforce especially refers ‘to the presence of [...] two institutional features of professionalization: ideology and self-regulation’ (von Nordenflycht, 2010, p. 163). Self-regulation refers to the control over the professional knowledge base, depends on jurisdiction and differentiates

classic PSFs such as law firms from Neo-PSFs such as management consulting firms. Self-regulation relates to the fact that professions exclusively control the access to the practice of their occupation: 'A central association certifies membership into the profession, based on demonstrated expertise and adherence to the ethical code' (von Nordenflycht, 2010, p. 163).

Furthermore, a professional ideology is a central characteristic of a profession which is shaping future employee's preferences and perceptions and on which we therefore will focus in the following: 'A professional ideology consists of a set of norms, manifested both in explicit ethical codes enforced by professional associations and in internalized preferences often developed during professional training' (von Nordenflycht, 2010, p. 163 with reference to Leicht & Lyman, 2006). The strength of the professional ideology may lead to a strong internalization of professional norms by the acting individuals. These professional norms, values and related behaviors define how to be a member of a certain profession and are essential for a successful career in this profession. Often these norms have already been acquired in the process of formal training at universities (Anderson-Gough, Grey & Robson, 2001 with reference to Bucher & Stelling, 1977) and define implicit norms of appropriate professional behavior (Nordenflycht, 2010). As young professionals undergo formal training at law schools, they are socialized towards the professional norms e.g. to work hard (Wilkins & Gulati, 1998). 'Demonstration of these characteristics permits group membership for the individual professional and act as a sign of that group membership to those outside the profession' (Anderson-Gough et al., 2001, p., 101).

Besides the overarching preference for autonomy, which may be facilitated by professionalization, the professional norm to protect client interests is central. The 'trusteeship' norm (Greenwood & Suddaby, 2005) to which law students are introduced in law school can thereby be seen as contradictory to a more economic or commercial ethos (von Nordenflycht, 2010) which is taught in business schools, and to which management

students are socialized and more familiar with. 'First is legal professionalism, an ideological frame based on an adversarial system of justice' ( Kuhn, 2009, p., 685).

The existence of a professional ideology can thereby be related to the up-or-out principle (von Nordenflycht, 2010): With reference to Morris and Pinnington (1998), von Nordenflycht (2010) states that 'up-or-out promotion may be more closely tied to workforce professionalization than is commonly thought' (von Nordenflycht, 2010, p. 168). The up-or-out model does not only exist to reduce monitoring costs. Professionals rather think it is 'appropriate' (Morris & Pinnington, 1998, p. 20) and, therefore, it works as a shared professional norm and reflects an achievement-oriented ideology through which performance standards of the profession are collectively reproduced. This professional norm has thereby been expressed most strongly in the largest law firms (Morris & Pinnington, 1998) and, therefore, it is likely that law students are more closely connected to it than management students. Law students who are educated for a legal profession are already socialized towards the up-or-out institution as the core of their professional ideology and related norms in their studies (von Nordenflycht, 2010; Morris & Pinnington, 1998). They may have the ultimate goal to become a partner as the guiding principle of their career during their time at university as 'most professionals still consider partnership as a lifetime relationship' (Kaiser et al., 2015, p. 86). The professional values associated with the up-or-out model may be kept alive by the professionals although PSFs are becoming more and more managerial and have increasingly introduced alternative non-partner positions (Kaiser et al., 2015 with reference to Faulconbridge & Muzio, 2008).

In this connection, Swart and Kinnie's (2013) distinction between professionally- and organizationally-focused HR practices seems helpful and can be applied to our study: The up-or-out career model can be interpreted as a more professionally-oriented HR practice while the alternative positions resemble a more organizationally-oriented HR practice. While law students are more socialized towards their profession, management students are

more focused on the organizational or corporate perspective in their studies. In a recent study, Bullinger and Treisch (2015) argue that certain HR practices can be related to different institutional logics (Friedland & Alford, 1991) and have shown that future professionals refer to these logics in the process of evaluating different HR practices communicated in job advertisements. However, they do not discuss the example of up-or-out and alternative positions nor the different perception of HR practices by different groups of future professionals which, from our perspective, is central for HRM in PSFs.

In general institutional logics that may motivate cognition and behavior of individuals, e.g. future applicants at PSFs, can be defined as: ‘the socially constructed, historical patterns of cultural symbols and material practices, assumptions, values and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity’ (Thornton, Ocasio, & Lounsbury, 2012, p. 51). The professional logic's root metaphor is the profession as a relational network. Personal expertise and professional standards serve as sources of legitimacy and professional associations as sources of authority and define professional norms. The professional's identity is based on membership in a professional association as well on the personal reputation as an expert in a certain field. The individual's status in the profession plays a major role and is the focus of attention. In contrast, the corporate logic root metaphor is the corporate hierarchy of an organization. Legitimacy stems from the market position of the firm and the board of directors and the top management are the major source of authority. Individuals base their identity on job (bureaucratic) roles and relate to organizational norms shaped by the specific culture of a firm. The focus of attention is thereby directed towards the status order in a firm's hierarchy (Thornton et al., 2012, p. 73). As institutional logics are a societal level construct, all members of a society are - to a higher or lesser degree - familiar with the existing institutional logics. Their responses to them are thereby ‘driven by the individuals’ degree of adherence to each competing logic’



(Pache & Santos, 2013, p. 3). The familiarization with specific institutional logic, such as the professional or the corporate can thereby especially take place through formal training and education: 'Direct experience through education or work experience is a form of being exposed to institutional logics' (Bullinger & Treisch, 2015, p. 155). 'Thus, while the degree to which people are able and willing to access and enact a specific logic, such as the professional logic depending on the intensity of exposure to it (Thornton et al., 2012), long-serving members of a profession and "amateurs" alike have an understanding of what "professional" means and can relate to the professional logic' (Bullinger & Treisch, 2015, p. 156).

With reference to our study, the up-or-out practice can be strongly related to the logic of the profession, whereas the alternative positions highlight the logic of the corporation. Recent empirical studies (e.g. Smets et al., 2012) show that the institutionalized norm of up-or-out still strongly influences the behavior of associates in large law firms although alternative positions have been implemented: Although the alternative positions were supposed to improve the associates work-life balance requirements and to extend their career possibilities, the associates preferred the traditional up-or-out model in practice and actively kept it alive. They continued to leave the firm if they did not make it to the partner level although they had the opportunity to stay in an alternative position. 'For them, this response to 'failure' in the tournament for partnership continues to be the 'done thing' (ibid., 2012, p. 138). These repelling reactions of lawyers occur although a new framing of the extended up-or-out model and the related careers of associates can be observed in the context of large law firms: Referring to Smets et al. (2012) especially, the HR managers aim to create a structured career development process for the associates which, on the one hand, facilitates the professionals' individual skill development and, on the other hand, increases their external market value. The aim is to create a 'holistic learning and development experience' and to overcome the rule that the only option for unsuccessful associates who do not make it

to the partner level is to leave the firm. Some firms explicitly promise their associates who take on an alternative position that it will be interesting and include challenging working tasks on 'leading edge' transactions, focusing on complex cases, and leaving more commoditized, routine tasks for their juniors (Smets et al., 2012, p. 138).

In contrast, the non-professionalized management students are not so strongly socialized towards the up-or-out career model and may value more managerial and corporate related HR practices. They may also may perceive the acquisition of valuable human capital on the associate level as central for their overall career development. Therefore, they may react positively to the new framing of the extended up-or-out model and its career development opportunities. Furthermore, future consultants may be more focused on the specific corporate reputation of the management consulting firm they are employed at, which is consistent with the corporate institutional logic. Neo-PSFs do not rely on ethical codes of a profession as solution to 'opaque quality' (Nordenflycht, 2010). Instead, large management consulting firms have addressed the problem of opaque quality by focusing on their firm-specific reputation as an alternative mechanism. They furthermore refused to join industry associations and did not support licensing efforts to further the professionalization of the consulting business (Nordenflycht, 2010; McKenna, 2006). The option to stay with their current employer in a permanent alternative position based on their specific expertise may be perceived as a better opportunity than to leave the firm and start a new job with a client firm.

To summarize, as a) law students are trained to be a member of a profession and intensively exposed to the professional institutional logic in the process of their formal training at university and b) management students are non-professionalized and more exposed to the corporate or managerial logic in their studies at Business Schools, we argue that this will influence their preference for either up-or-out (as professionally-focused HR practice) or alternative positions (as more corporate or organizationally-focused HR

practices) in a significant way. So we hypothesize that there may be differences in the reactions of law and management students to a presented career model in our sample and a related significant effect on the applicants' likelihood to apply for a corresponding job at the PSF. Against this theoretical backdrop, we pose the following hypothesis:

*Hypothesis 2: The effect of the career model (up-or-out model vs. alternative positions) on the applicants' likelihood to apply for a corresponding job at a PSF is moderated by the type of PSF-applicants (law students in classic vs. management students in Neo-PSFs).*

*Hypothesis 2a: Law students applying at a classic PSFs show a higher likelihood to apply for a corresponding job if an up-or-out model is implemented in contrast to a career model with alternative positions.*

*Hypothesis 2b: Management students applying at a Neo-PSFs show a higher likelihood to apply for a corresponding job if a career model with alternative positions is implemented in contrast to an up-or-out model.*

## **Research Method**

For our applicant survey, we conducted a paper-and-pencil survey with N = 213 students from the law and management department of a large German university based on a 2 x 2 between-subjects-experiment in 2013 to test our hypotheses. We chose the following experimental factors as independent variables: (1) the communicated career model within a fictional job advertisement (i.e., up-or-out model = UOO vs. alternative positions = AP) and (2) the type of PSF applicants (i.e., applicants at classic PSF = law students vs. applicants at Neo-PSF = management students). To ensure an acceptable level of involvement, law students (respectively management students) were randomly assigned to one of the two

career models in the ‘classic PSF’-condition (respectively ‘Neo-PSF’-condition), i.e., law students only received one of the two career model options applied in a law firm (and management students only received one of the two career model options applied in a management consulting firm).<sup>2</sup>

After reading the fictional job advertisement from a fictional law firm / consulting (i.e., Brockmann Schäffer and Partner; see Appendix 1), we measured the percental likelihood of the students to apply for a job at a fictional law firm (scenario: classic PSF) or a fictional consulting firm (scenario: Neo-PSF) with one open-ended item according to an established scale by Williamson et al., (2003): ‘I would apply for a job at Brockmann Schäffer and Partner with a probability of ... percent’.<sup>3</sup> By selecting a fictional firm, we avoided the chance that students already had associations with the object of investigation. To access the students’ general likelihood to apply for a job at a law firm (scenario: classic PSF) or a consulting firm (scenario: Neo-PSF), we created a one item, seven-point Likert scale: ‘I can imagine applying for a job at a law firm / consulting firm after finishing my university

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<sup>2</sup> To ensure, that both student groups (law and management students) are comparable regarding the mentoring programs offered from the university and other firms within their law and management study programs, we conducted a pre-test with the same student population as in our main study at the same German university and recruited N = 121 students (62 law students and 59 management students). Specifically, we asked students whether mentoring programs are regularly offered from a) the university or b) other firms (binary items: yes/no). The results show that no significant differences exist between law and management students for both mentoring options. Hence, mentoring programs offered by the university were very limited (law students: 32.3 %, management students: 23.7 %;  $\chi^2 = 1.09$ ,  $p = .29$ ) as well as from other firms (law students: 24.2 %, management students: 16.9 %;  $\chi^2 = .97$ ,  $p = .33$ ) in both study programs.

<sup>3</sup> To empirically check whether the career model (up-or-out vs. alternative model) is actually important for law and management students when applying at law respectively management consulting firms, we again asked the participants of our pre-test with the same student population as in our main study at the same German university (N = 121 students). First, we directly asked the students whether the career model (up-or-out vs. alternative model) is important for them when applying at a law / management consulting firm (binary item: yes/no). Second, we provided students with nine further decision criteria identified in previous literature (Aycan & Fikret-Pasa, 2003; Boswell, Roehling, LePine & Moynihan, 2003; Dinovitzer & Garth, 2007; Froehlich, 2004) which are important for applying at a specific PSF beyond the mentioned career model and asked them to evaluate the importance of each decision criterion on a seven-point semantic differential scale (1 = not at all important, 7 = very important). The results reveal that 76.9 % of the respondents evaluated the career model as an important decision criterion when applying at a law / management consulting firm (law students: 77.4 %, management students: 76.3 %). Furthermore, the career model revealed an acceptable importance (M = 4.85) on a seven-point semantic differential scale compared to further prominent decision criteria such as firm clients (M = 5.79), job security (M = 5.81), job colleagues (M = 5.63), salary (M = 5.62), work-life-balance (M = 5.59), firm location (M = 5.48), firm reputation (M = 5.23), length of journey to firm (M = 4.98), and social incidental services (M = 4.64).

studies’. We further created a manipulation check for the career model factor using a one-item, seven-point Likert scale: ‘Employees who do not reach the next career step (e.g., to become a partner) at Brockmann Schäffer and Partner are recommended to leave the firm’.

## Results

First, we revealed the success of our intended manipulation. As expected, students in the up-or-out condition showed higher levels of agreement with our manipulation statement that employees who are not able to reach the next career step are recommended to leave the firm ( $M = 5.18$ ,  $SD = 2.19$ ) compared to students in the alternative position condition ( $M = 2.58$ ,  $SD = 1.81$ ;  $t = 9.33$ ,  $p = .00$ ; one-sided t-test).

Second, we used the ANOVA procedure to test our hypothesis  $H_2$ . As hypothesized, we found a significant interaction between the communicated career model within a fictional job advertisement (i.e., up-or-out model = UOO vs. alternative positions = AP) and the type of PSF-applicants (i.e., applicants at classic PSF = law students vs. applicants at Neo-PSF = management students) on the students’ likelihood to apply for a corresponding job at Brockmann Schäffer and Partner ( $F = 5.00$ ,  $p = .03$ ; see Table 1).

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For applicants of classic PSFs (i.e., law students), the likelihood to apply (in percentage) was significantly higher for the UOO-condition ( $M = 55.33$ ,  $SD = 27.85$ ) than for the AP-condition ( $M = 42.57$ ,  $SD = 31.63$ ;  $t = 1.73$ ,  $p = .04$ ; one-sided t-test). However, for applicants of Neo-PSFs (i.e., management students), the likelihood to apply (in

percentage) was significantly lower for the UOO-condition ( $M = 30.57$ ;  $SD = 27.00$ ) than for the AP-condition ( $M = 36.84$ ,  $SD = 28.60$ ;  $t = 1.34$ ,  $p = .09$ ; one-sided t-test).

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Insert figure 2 about here  
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To test the validity of our model, we ran another ANOVA and included the general likelihood of students to apply for a job at a law firm (scenario: classic PSF) or management consulting firm (scenario: Neo-PSF) as a covariate in the model. As expected, the students' general likelihood to apply for a job in the corresponding industry had a significant impact on the students' likelihood to apply for a corresponding job at Brockmann Schäffer and Partner ( $F = 51.26$ ,  $p = .00$ ). However, the results for the other effects in the ANOVA model were robust, i.e., we again found a significant interaction between the communicated career model within a fictional job advertisement and the type of PSF-applicant on the likelihood to apply for a corresponding job at Brockmann Schäffer and Partner ( $F = 4.58$ ,  $p = .03$ ).

The results of study 2 revealed that students preferred an up-or-out model for classic PSFs, but alternative positions for Neo-PSFs. Specifically, for classic PSFs, applicants (i.e., law student) show a higher likelihood to apply for a job if an up-or-out model is implemented in contrast to alternative positions. However, for Neo-PSFs, applicants (i.e., management students) show a lower likelihood to apply for a job if an up-or-out model is implemented in contrast to alternative positions.

## Discussion and Conclusion

The central aim of this study was to 1) quantitatively analyze the implementation of different career models in PSFs (i.e., up-or-out vs. alternative career models) in practice taking the German PSF-market as an example as well as to 2) quantitatively analyze which effects up-or-out career models have on job applicants' likelihood to apply for a corresponding job in a classic PSF vs. a Neo-PSF – in contrast to career models with alternative positions. Our empirical study is based on an online practitioner survey as well as on a two-by-two between-subjects-experiment with law and management students. The practitioner sample shows that the interviewed classic PSFs (law firms and accounting firms) have predominantly implemented alternative career positions in favor of up-or-out models, while the interviewed Neo-PSFs (consulting firms) show a more equal implementation of up-or-out models and extended career models. However, results of our experimental applicant study reveal that the potential employee groups have different preferences: Law students (and hence potential applicants of classic PSFs in the future) show a higher likelihood to apply in connection with the up-or-out-model whereas management students (and hence potential applicants of Neo-PSFs in the future) show a higher likelihood to apply in connection with the alternative career model.

Against the backdrop of only a few empirical studies on the topic of up-or-out models in PSFs (e.g. Malos & Campion, 2000; Morris & Pinnington, 1998; Sherer & Lee, 2002; Malhotra et al., 2010; Smets et al., 2012; McGinn & Milkman, 2013), our study contributes to the research field of Professional Service Firms in three central ways: *First*, by addressing calls for research on heterogeneity of PSFs (von Nordenfylcht et al., 2015; Malhotra & Morris, 2009) and by taking classic PSFs (law firms and accounting firms) as well as Neo-PSFs (consulting firms) into account, we offer a novel approach to a comparative analysis of up-or-out career models in different types of PSFs as the majority of existing empirical studies on this subject focus on only one PSF type: The topic of 'up-or-

out’ ‘has been studied almost exclusively in the context of law or accounting firms, so its broader relevance is untested’ (von Nordenflycht, 2010, p. 168). Following prior studies in the US (e.g. Sherer & Lee, 2002) as well as in the UK (e.g. Morris & Pinnington, 1998; Malhotra et al., 2010; Smets et al., 2012), we are able to show that a high proportion of classic PSFs in Germany are based on alternative career tracks and do not exclusively operate a strict and formal up-or-out model in practice. In addition, we have also been able to show that the analyzed Neo-PSFs are not as differentiated in the application of their career model as the classic PSFs: The Neo-PSFs have rather implemented a traditional and an extended career model in quite equal shares. In the case of management consultancies, the reason could be that the problem of labor scarcity (Sherer & Lee, 2002) may be compensated by the recruitment of ‘exotics’ and that leading Neo-PSFs may try to retain a stricter up-or-out mode to keep their superior ‘corporate reputation’ (McKenna, 2006) as a mechanism to solve the problem of opaque quality (von Nordenflycht, 2010). Furthermore, market requirements have led to the permanent need to deliver very specialized expert knowledge to solve new and challenging customer problems so that also for Neo-PSFs alternative positions may serve these demands (e.g. Doorewaard & Meihuizen, 2000).

*Second*, by analyzing potential applicants’ perceptions of the favorability of different career models in PSFs, we have developed one of the first applicant perspectives on the topic of ‘up-or-out’ and show its importance for recruitment in PSFs. This corresponds with recent calls for a more applicant-oriented perspective in HRM research and its importance for recruiting outcomes (e.g. Baum & Kabst, 2014; Baum et al., 2016; Breugh, 2013; Swider et al., 2015; Williamson et al., 2010). We are able to show that deep-level individual differences (e.g. the degree of professionalization) have a significant impact on applicant attraction. This corresponds with recent research which highlights the importance of analyzing early stages of recruitment (Breugh, 2013) and the ‘meaningful direct relationships between individual differences and recruiting outcomes’ in form of e.g.



applicant attraction (Swider et al., 2015, p. 73). So we are able to add a central aspect to the literature that has primarily focused on an employer perspective by explaining the process of the institutionalization of the up-or-out career model (Sherer & Lee, 2002), the development of alternative positions as an extension of the internal labor markets in PSFs (Morris & Pinnington, 1998; Malhotra et al., 2010) or the influence of career mobility practices and the strictness of the up-or-out principle on career-related outcomes (Malos & Campion, 1995). Newer studies have recently widened the theoretical perspective and have analyzed how the changing career models in PSFs influence the innovation capacity of PSFs (Smets et al., 2012). Additionally, recent studies adopting a more of an employee-oriented perspective (e.g. McGinn & Milkman, 2013) have investigated how workgroup gender and a specific race composition affect the career mobility of professionals in ‘up-or-out’-organizations.

Our study, however, takes a new starting point: we focus on the recruiting stage and the applicants’ specific perceptions of and reactions to different career models. By explicitly quantifying the related likelihood to apply for a certain job at a PSF, we are able to show that applicants from varying occupational backgrounds perceived the presented career models as differently attractive. Furthermore, we are able to show that the type of PSF-applicants (law vs. management students) acts as a central moderator in this connection which highlights the importance of research on heterogeneity in PSFs also from an applicant’s perspective. We thereby focus attention on a central deep-level difference between different groups of PSF-applicants - their degree of professionalization - which can be related to their different preferences for more professionally-oriented HR practices in form of up-or-out (as part of a professional institutional logic) in the case of law students, and or more organizationally-oriented HR practices in form of alternative positions (as part of a corporate institutional logic) in the case of management students. Our study, therefore, highlights the role of different professional backgrounds (law vs. management) and related

occupational norms for the perception of traditional vs. adapted career models, and is especially relevant for issues of targeted recruitment, personnel marketing and employer branding in classic as well as Neo-PSFs.

Furthermore, the comparison of our practitioner survey on the current diffusion of the up-or-out model and the alternative positions among German PSFs with our applicant survey implies valuable *practical insights*: The previously discussed differences between the professionalized applicants of classic PSFs and the non- professionalized applicants of Neo-PSFs may have central implications for the HR goal to secure the availability of human resources and to attract future employees in the context of up-or-out career models and alternative positions to the partner track. As our study shows, there can be contradictory effects and relationships. This may have different implications for HRM in different PSFs (classic vs. Neo-PSFs) and outlines potential and different challenges HR managers may face: In the case of law firms, which show a high implementation of alternative positions while law students in our study still favor the up-or-out model, this means HRM has the difficult task of positively framing the career model innovations to secure an acceptance of the applicants. In contrast, the management consulting firms still mainly rely on the stricter up-or-out career model and should more intensively take into account that their applicants may perceive the implementation of alternative positions very positively. The empirical findings highlight the importance of a positive framing and explicit communication of career models in the recruiting process as this may have a positive impact on recruiting outcomes and can be helpful for targeted recruitment (Casper et al., 2013) and employer branding.

*Future research* should focus on more comparative studies on the topic of up-or-out and alternative positions in the context of classic as well as Neo-PSFs from an applicant and an employee perspective. Especially a cross-country analysis would be of particular interest. Additionally, a comparison with other knowledge-intensive firms that do not use the traditional or extended up-or-out model such as advertising agencies would be very

insightful (von Nordenflycht, 2007; 2010). Furthermore, as our study is based on an experiment with students and their perception of fictional job advertisements, it would be very interesting to analyze how applicants in real recruiting processes perceive the implementation of different career models. An applicant / employee perspective could be especially valuable for topics such as (perceived) organizational vs. professional commitment as well as, for example, person-organization fit in the context of PSFs.

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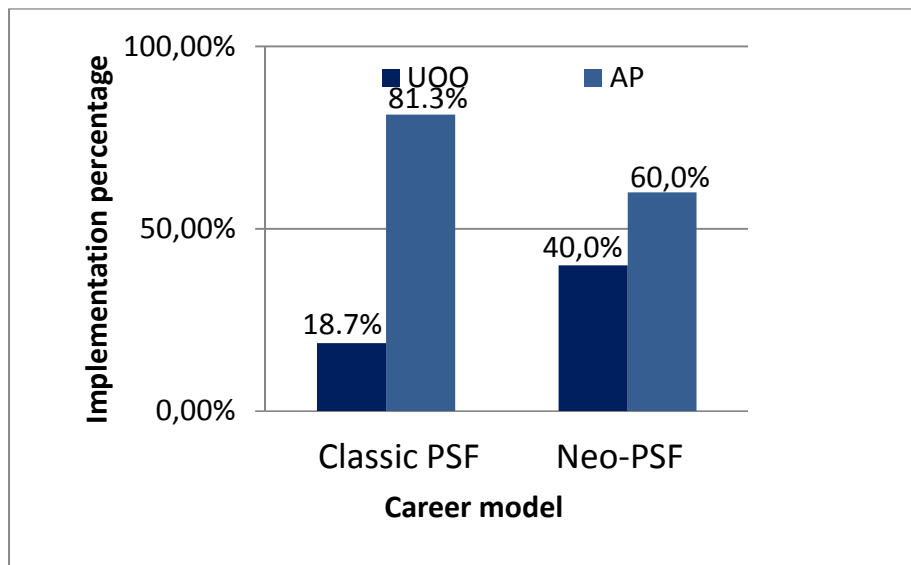
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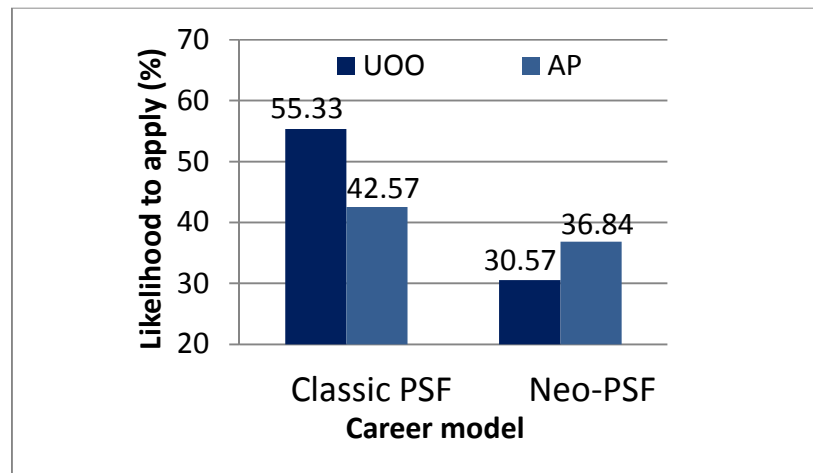


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**FIGURE 1.** Implementation of Career Models in Practice



**FIGURE 2.** Effect of Career model x Type of PSF-applicants on Likelihood to Apply for a Corresponding Job at Brockmann Schäffer and Partner (descriptive statistics)



**TABLE 1.** Effect of Career Model X Type of PSF-applicants on Students' Likelihood to Apply for a Corresponding Job at Brockmann Schäffer and Partner (ANOVA results)

Dependent variable: students' likelihood to apply for a corresponding job	<i>F</i> <sup>a</sup>	<i>P</i>
Career model (M)	.58	.45
Type of PSF applicants (T)	12.86	.00
M × T	5.00	.03

<sup>a</sup> F-Value test statistic

## APPENDIX A1. Experimental Manipulation “Up-or-Out”-Policy/Law Firm (Study 2)

### Job advertisement Brockmann, Schäffer & Partner

We have a goal - the success of our customers. Through the broad range of our legal services we are able to obtain a general overview of our customers' needs in order to develop individual approaches to particular problems. This philosophy has paved the way for our present standing. With 5,000 employees in 18 countries we provide our services worldwide, amongst others to companies in the energy and the logistics sector.

#### We are seeking a

University Graduate (m/f) from Law School  
with a main focus on  
Corporate law / Commercial law

#### Job requirements:

- You have finished your university studies in law with outstanding results or you will do so in the coming months.
- You show a very high level of commitment and creativity and you are able to work independently as well as part of a team
- You have a confident and convincing appearance and a high analytical capability as well as an excellent comprehension
- Strong communication skills in spoken and written German and English
- International experience is welcome

We offer you new challenges, interesting and multifaceted tasks and excellent career opportunities.

Become our partner! Within a defined period of time you will have the opportunity to qualify for the next career level by attaining a positive appraisal of your project performance. In this way you can succeed in becoming a partner in the foreseeable future.

If you do not reach the next career level, we will advise you to leave our company. However, we will give indications of possible deficits early enough so one will have the chance to succeed.

**Are you interested?** Please apply [online](#).

## **APPENDIX A2. Experimental Manipulation “Up-or-Out”-Policy/Management Consulting Firm (Study 2)**

### **Job advertisement Brockmann, Schäffer & Partner**

We have a goal - the success of our customers. Through the broad range of our consultancy services we are able to obtain a general overview of our customers' needs in order to develop individual approaches to particular problems. This philosophy has paved the way for our present standing. With 5,000 employees in 18 countries we provide our services worldwide, amongst others to companies in the energy and the logistics sector.

#### **We are seeking a**

University Graduate (m/f) in Business Administration  
with a main focus on Management

#### **Job requirements:**

- You have finished your university studies in management or economics with outstanding results or you will do so in the coming months.
- You show a very high level of commitment and creativity and you are able to work independently as well as part of a team
- You have a confident and convincing appearance and a high analytical capability as well as an excellent comprehension
- Strong communication skills in spoken and written German and English
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**Are you interested?** Please apply [online](#).

## **APPENDIX B1. Experimental Manipulation “Alternative Position”-Policy/Law Firm (Study 2)**

### **Job advertisement Brockmann, Schäffer & Partner**

We have a goal - the success of our customers. Through the broad range of our legal services we are able to obtain a general overview of our customers' needs in order to develop individual approaches to particular problems. This philosophy has paved the way for our present standing. With 5,000 employees in 18 countries we provide our services worldwide, amongst others to companies in the energy and the logistics sector.

#### **We are seeking a**

University Graduate (m/f) from Law School  
with a main focus on  
Corporate law / Commercial law

#### **Job requirements:**

- You have finished your university studies in law with outstanding results or you will do so in the coming months.
- You show a very high level of commitment and creativity and you are able to work independently as well as part of a team
- You have a confident and convincing appearance and a high analytical capability as well as an excellent comprehension
- Strong communication skills in spoken and written German and English
- International experience is welcome

We offer you new challenges, interesting and multifaceted tasks and excellent career opportunities.

Become our partner! Within a defined period of time you will have the opportunity to qualify for the next career level by attaining a positive appraisal of your project performance. In this way you can succeed in becoming a partner in the foreseeable future.

If you do not succeed to reach the next career level, we will offer you equivalent alternative positions apart from the partner level and the chance of further developing your skills in the area of your expertise.

**Are you interested?** Please apply [online](#).

## **APPENDIX B2. Experimental Manipulation “Alternative Position”-Policy/Management Consulting Firm (Study 2)**

### **Job advertisement Brockmann, Schäffer & Partner**

We have a goal - the success of our customers. Through the broad range of our consultancy services we are able to obtain a general overview of our customers' needs in order to develop individual approaches to particular problems. This philosophy has paved the way for our present standing. With 5,000 employees in 18 countries we provide our services worldwide, amongst others to companies in the energy and the logistics sector.

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